

In Re: Sentinel Trust Company)
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) Case No. 4781
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Receivership Management, Inc., as Receiver of Sentinel Trust Company (“Receiver”), moves the Court for permission to pay the operating expenses of the Sentinel Trust receivership from pre-May 18, 2004 funds of Sentinel Trust on deposit in SunTrust Bank account #4049233.

On May 18, 2004, Honorable Kevin Lavender, Commissioner of the Tennessee Department of Financial Institutions, pursuant to T.C.A. §45-2-102, took possession over Sentinel Trust Company and appointed Receivership Management, Inc. (“RMI”) as Receiver. On June 18, 2004, Commissioner-in-Possession Lavender gave notice of placing Sentinel Trust Company into liquidation, said notice also being filed with this Court on that date.

T.C.A. §45-2-1502(f) states that all necessary and reasonable expenses of the receivership shall be paid from the receivership estate assets. T.C.A. §45-2-1504(h) establishes that obligations incurred by the Commissioner are considered as having priority regarding payment from estate assets.

The Sentinel Trust receivership is incurring expenses in its operation. Those expenses include operational expenses such as phone and electric service and salary of remaining Sentinel Trust employees, the fees and expenses of RMI, the fees and expenses of Wyatt, Tarrant &

Combs LLP, and the fees and expenses attendant to the post-May 18, 2004 pursuit of defaulted bond issues (including fees incurred by other counsel, state-court receivers' fees where applicable, etc.). All these expenses are being incurred by virtue of the receivership and under the authority of this Commissioner-in-Possession. All of the RMI and legal counsel fees and expenses first will be approved for payment by the Commissioner-in-Possession and then will be submitted to this Court for final approval.

When possession over Sentinel Trust was effected on May 18, 2004, a first priority was the gaining of information about the then-current status of Sentinel Trust bank accounts, including bank accounts used for the operation of its business. The bank account that had been addressing Sentinel Trust's general operating expenses was Union Planters Bank account #3601058211 (hereinafter "211 account") and had a balance, on May 17, 2004, of \$147,854.76. On June 4, 2004, the Receiver established another operating bank account (Union Planters Bank account #3602368775 -- hereinafter "775 account") and had \$50,000 moved from the '211 account to the '775 account which left approximately \$29,900 in the '211 account. As of June 23, 2004, the aggregate balance of the '211 account and the '775 account was \$72,847.26. The post-May 17, 2004 disbursements from those accounts were for normal operating expenses of Sentinel Trust, including items such as employee salaries, payroll taxes, utilities and phone expenses, office supplies, courier service and various miscellaneous expenses. See Affidavit of Billy Spaulding at ¶¶ 3-5, attached as Exhibit 1 to this Motion. Currently, there is approximately \$50,000 of RMI and legal counsel fees that are in line for presentation to the Court for approval once a pending Motion to File Fee Statements Under Seal is ruled on by the Court Id. at ¶ 6. The Receiver is in receipt of invoices by other counsel for work in pursuing defaulted bond

issues post-May 17, 2004. The Receiver is also in receipt of invoices for the normal expenses of operating Sentinel Trust in receivership. Id.

Since May 18, 2004 deposits into both the '211 account and the '775 account have only amounted to approximately \$24,000. Spaulding Aff. at ¶ 7. That amount came from receipt of fees owed to Sentinel Trust for making the June, 2004 bond issue payments. Similar, and most likely smaller amounts are expected to be paid for fees earned in conjunction with the July 2004 payments as well as other future payments, if allowed by the Court. But because Sentinel Trust is now in liquidation, these monthly fees will likely become less and less. It is likely that by mid-to-late July, 2004, the '211 and '775 accounts will be depleted of funds. Spaulding Aff. at ¶¶ 7-8. Accordingly, the amounts currently in the Sentinel Trust '211 account and the '775 account and/or amounts anticipated to come into those accounts, will not be enough to pay for the expenses incurred by the receivership on a going forward basis. Other estate funds must then be made available/approved regarding payments of the receivership's operating expenses.

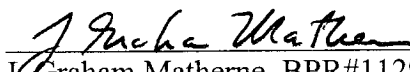
Sentinel Trust also maintained another account, SunTrust Bank account #4049233, which appears to have deposited and pooled together funds from various sources and paid expenses incurred on various matters (hereinafter "SunTrust Pooled Account"). Spaulding Aff. at ¶ 9. Because that account has been used post-receivership to receive funds from bond issuers and to make bond payments, as allowed by the Court, the balance of that account has fluctuated since May 17th. However, the net balance of pre-May 18, 2004 funds in the SunTrust Pooled Account is approximately \$1.6 million. Id.

The pre-May 18, 2004 funds in the SunTrust Pooled account are assets of the Sentinel Trust estate. Pursuant to T.C.A. §45-2-1502(f), all reasonable and necessary expenses of the receivership shall be paid from receivership estate assets. In order to proceed with the estate,

including recovery on defaulted bond issues (which will include recovery of past expenses incurred in pursuing those recoveries that were paid from the SunTrust Pooled Account), expenses will be incurred. Indeed, the bulk of what the Receiver envisions as expenses going forward will relate to the pursuit of the defaulted bonds and any third party actions that might be initiated to recover on behalf of the Sentinel Trust estate. Those recoveries, or at least a material portion of them, will be placed back into the SunTrust Pooled Account for distribution as directed by the Commissioner and approved by the Court. Therefore, because the object of much of the anticipated expense is to increase the SunTrust Pooled Account, it seems fair to have the expenses for those efforts paid from that fund.

Accordingly, the Receiver requests court approval to pay receivership operating expenses from pre-May 18, 2004 funds in the SunTrust Pooled Account.

Respectfully submitted,


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**This Motion Will Be Heard By The Court, Sitting in Chancery, in Hohenwald,
Tennessee on Monday, July 12, 2004 at 9:00 a.m.**